
Nick Jordan, Secretary
Lisa Kaspar, Director

Sam Brownback, Governor

Testimony

To: Chairman Petersen & Members of the Senate Transportation Committee
From: Lisa Kaspar, Director of Vehicles
Date: February 17, 2015
RE: Testimony on Senate Bill 174
Digital License Plate Production and Establishing License Plate
Manufacturing Fee Fund

Mr. Chairman and members of the committee, thank you for the opportunity to testify on Senate Bill 174.

The purpose of this bill is to create a processing fee for manufacturing license plates and a fund to which the fees will be remitted. Expenditures from the fund will be used for administration and operation of a new license plate manufacturing process slated to begin January 1, 2017.

Currently license plates are ordered and manufactured in bulk and shipped to County Motor Vehicle Offices where they are stored and issued to customers as needed. This process requires staff at the Division of Vehicles and County Offices to place orders, approve orders, ship inventory, receipt inventory into the system, disburse inventory to front line staff to be issued to customers, and monitor inventory usage. The quantities ordered are based upon estimated numbers of plates expected to be issued. This is an inexact science which often leads to an overage of plates produced. In FY 2014, 215,601 more plates were produced than were issued. This results in approximately \$644,318.00 in excess inventory sitting in store rooms in County Motor Vehicle Offices.

The Division of Vehicles will be moving to a Digital License Plate Production model which results in a flat license plate with the combination digitally printed on the surface. This model also includes an order fulfillment process in which the customer is issued a temporary receipt at the time of registration. The plate is then ordered, manufactured and mailed directly to the customer. Since a plate is not produced until it is paid for, this eliminates excess inventory and the associated cost over-runs.

The Digital License Plate Production model also resolves an issue with the manufacturing process. Currently, plates are embossed and roller coated with ink. The design options and numbers of plate combinations are limited due to

the amount of space on the plate as well as the size of available dies used to complete the embossing process. Because the Digital License Plate Production process uses a digital file format, font styles can be adjusted to allow additional characters to be used in the plate combination.

In order to move to Digital License Plate Production, the Division of Vehicles must change the funding model for license plate production. The current bulk production process is funded from Registration Fees paid by the customer, deposited in the State Highway Fund, with an appropriation from the Highway Fund back to the Department of Revenue. The amount of the appropriation is based on the estimated number of plates to be produced. There are several issues related to this funding model, including the need for additional allocation during years when a new plate design is issued and all license plates are replaced. The proposed funding model eliminates this issue.

Digital License Plate Production also allows flexibility for the customer in that any plate could be personalized, eliminating the need for a special design for personalized plates and allowing royalty plates, such as those sponsored by educational institutions to be personalized. This process will also allow a customer to retain a standard plate combination that they currently have if they so desire.

The Division is proposing an \$8.00 Plate Manufacturing Fee which will be charged only at the time a new plate is issued. The fee is based on the proposed cost to move to Digital License Plate Production with order fulfillment which mails the plate directly to the customer. With this model, the Division proposes fully funding license plate production from these revenues. This is important because order fulfillment will provide continued employment for those staff who currently complete the embossing process at Center Industries, which is the organization that currently manufactures license plates. Digital License Plate Production would create opportunities for some higher level positions and additional skill development at Center Industries as well. Without the order fulfillment portion, jobs at Center Industries would be eliminated. In addition, without the order fulfillment portion, the current bulk ordering process would continue, therefore, eliminating any cost savings.

We will move to staggered license plate replacement, which will result in all plates being replaced every eight years. This equates to \$1.00 for every year the plate is on the vehicle. This proposal creates flexibility and more options for the customer, eliminates waste in production of excess inventory, creates efficiencies with ordering and managing inventory and creates skill development opportunities for those working in the license plate manufacturing industry. I ask for your support in the passage of this bill.

Thank you, I will stand for questions.